

# The Allocation Process for the Adult Education and Family Literacy Grants

## I. Program Overview

The Adult Education and Family Literacy Act of 1998 funds efforts by states, localities, and outlying areas to improve the educational opportunities of adults who lack a high school diploma and/or the skills necessary to function effectively in the workplace and in their daily lives.<sup>1</sup>

Since first enacted in 1966, adult education grants have supported activities for individuals who are over age 16, lack a high school diploma, and are not enrolled in school.<sup>2</sup> Such activities can help them to (1) become literate, (2) acquire the knowledge and skills necessary for employment and self-sufficiency, and, when possible, (3) complete a secondary education. Family literacy grants have been funded under Title I's Even Start program since 1989. Family literacy activities "assist adults who are parents to obtain the educational skills necessary to become full partners in the educational development of their children."<sup>3</sup>

Congress combined grants for adult education and family literacy in 1998 to integrate educational services for adults in a single program. At the same time, Congress also placed federal funding for the National Institute for Literacy and other national projects to improve adult education and literacy nationwide within legislation for adult education and family literacy.<sup>4</sup>

The Department of Education's Division of Adult Education and Literacy in the Office of Vocational and Adult Education (OVAE) administers the Adult Education and Literacy Act. The Department of Education's National Center for Education Statistics (NCES) applies the allocation formula in the law to determine the distribution of grants for adult education and family literacy.

In fiscal year 2002 (FY 02), the total appropriation for Adult Education and Literacy was \$591 million. State, local, and territorial educational agencies received \$575 million of this in basic grants to support courses in adult basic education, adult secondary education, and English literacy (formerly English as a second language). The National Institute for Literacy received almost \$6.5 million, and other national projects received \$9.5 million.

## II. Outline of Adult Education and Literacy Grants

### A. State and Territorial Grants

**Basic Grants** (Subtitle A, Chapter 1) provide states and outlying areas with funds to distribute to eligible educational providers who develop, implement, and improve adult education and family literacy activities.

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<sup>1</sup> The Adult Education and Family Literacy Act of 1998 is Title II of the Workforce Investment Act of 1998, Public Law 105-220.

<sup>2</sup> The Adult Education Act, under Title III of the Elementary and Secondary Education Act of 1966

<sup>3</sup> Title II of the Workforce Investment Act of 1998, P.L. 105-220, sec. 202 (2).

<sup>4</sup> The National Institute for Literacy was established under the National Literacy Act of 1991.

- For the purposes of Adult Education and Literacy, the term “state” includes the District of Columbia and the Commonwealth of Puerto Rico.<sup>5</sup> The “outlying areas” (also referred to as “territories”) include: Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Although not named in the legislation, the U.S. Virgin Islands is treated as an outlying area in the allocation process.
- Eligible providers of adult education and family literacy activities include local educational agencies (LEAs), community-based organizations and volunteer literacy organizations of demonstrated effectiveness, institutions of higher education, nonprofit agencies, libraries, public housing authorities, and other institutions that have the ability to provide literacy services to adults and families.<sup>6</sup> Adult education and family literacy activities that are eligible for funding (1) teach literacy skills, numeracy, and English language proficiency to qualifying adults<sup>7</sup> and their families; (2) offer interactive literacy activities between parent(s) and child, along with training in parenting skills; and/or (3) help adults complete a secondary diploma or its equivalent.
- States must apply for grants for adult education and family literacy grants by submitting a 5-year plan (once every 5 years) that explains how they will distribute funds to eligible providers within the state or outlying area and ensure that the use of the funds meets the intent of Congress [sec. 224].<sup>8</sup> The grant amount that states and outlying areas receive reflects both a basic allotment to states and outlying areas and a proportional allotment based on the number of qualified adults in the state or outlying area.

## B. Set-asides

- **National Institute for Literacy**<sup>9</sup> receives funds, reserved by the secretary of education, equal to the lesser of the following two amounts: \$8 million or 1.5 percent of the total appropriation for Adult Education and Family Literacy Programs. These funds finance the Institute to provide national leadership in literacy, to coordinate literacy policy and services, to serve as a resource for the latest information on literacy, and to foster the development of effective new literacy activities.<sup>10</sup>
- **National Leadership Activities**<sup>11</sup> receive funds, reserved by the secretary of education, equal to the lesser of the following two amounts: \$8 million or 1.5 percent of the total appropriation for Adult Education and Family Literacy Programs. These funds finance programs approved by the secretary for the purpose of enhancing the quality of adult education and family literacy nationwide. Such programs can provide technical assistance to eligible providers, conduct research into effective methods, collect data on improvement, demonstrate effective strategies, or disseminate information on best practices.

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<sup>5</sup> Sec. 203(17)

<sup>6</sup> Sec. 203(5)

<sup>7</sup> The Adult Education and Family Literacy Act defines “qualifying adults” as individuals who (1) are at least 16, (2) are not enrolled in secondary school and not required to be enrolled under state law, and (3) lack a secondary school diploma (or its equivalent). See sec. 211(d). This definition differs slightly from the definition of adults who constitute the target population for “adult education” services: this definition sets an upper age limit and does not include adults who have a secondary school diploma but are unable to function in English [see sec. 203(1)].

<sup>8</sup> The law specifies rules regarding eligible providers and the distribution of these funds by states and outlying areas in section 231.

<sup>9</sup> Sec. 211(a)(1)

<sup>10</sup> Sec. 242(a)

<sup>11</sup> Sec. 211(a)(2)

- **Incentive Grants**<sup>12</sup> are funded with 1.72 percent of the total appropriation for adult education and family literacy. This funding, reserved by the secretary of education, rewards states that exceed expected levels of performance under the Adult Education and Family Literacy Act and the Carl D. Perkins Vocational and Applied Technology Act of 1998.<sup>13</sup>

### III. Requirements for Adult Education and Literacy Funds

#### A. Basic Grants

All states and outlying areas can apply for basic grants (i.e., there are no eligibility requirements). However, to receive a grant, states and outlying areas must consent to two conditions. First, they must agree to devote basic grant funding only for those adult education and literacy activities outlined in subtitle A.<sup>14</sup> Second, states and outlying areas receiving basic grants must match these grants with an additional amount of nonfederal funds for the same purposes. These amounts are equal to 25 percent of federal basic grant funding for states and 12 percent of such funding for outlying areas.

#### B. Set-asides

Set-asides are legislatively mandated allocations for programs that are guaranteed or set-aside at the start of the allocation process. There are no eligibility requirements for these grants.

### IV. Allotment and Allocation Amounts

A state's or outlying area's share of federal funding, as determined by a grant formula, is known as its *allotment*. The fund that a state or outlying area actually receives is known as its *allocation*.

To determine the distribution of funding (or each state's and outlying area's allocation), it is first necessary to determine each state's and outlying area's *basic allotment* and *proportional allotment*. (The basic allotment is a set amount for all states and all outlying areas. The amount of the proportional allotment depends on the number of qualifying adults in the state or area.) The sum of these two allotments is a state's or outlying area's *total allotment*. In theory this is the amount that a state or outlying area receives. In practice, however, a state or outlying area rarely receives its total allotment because the Adult Education and Family Literacy Act includes a hold-harmless provision. Such a provision sets a floor or minimum amount of funding that all states and outlying areas must receive.

In order to provide funds for states and outlying areas whose minimum guaranteed funding is more than their total allotment, all other states and outlying areas receive less than their total allotments. Each state's and outlying area's final allocation equals either its minimum guaranteed funding amount or a percentage of its total allotment. (This percentage is the same for all states and outlying areas so that there is a proportional division of the funds remaining after all minimum guaranteed allocations have been financed.)

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<sup>12</sup> Sec. 211(a)(3)

<sup>13</sup> Although funding is reserved in Title II (Adult Education and Family Literacy Act), the provisions that govern these incentive grants are found in Title V (General Provisions) of the Workforce Investment Act of 1998 (P.L. 105-220, Sec. 503).

<sup>14</sup> Sec. 211(b)(2)

## A. Basic Grant Formula

Each state's and outlying area's Basic Grant *allocation* is determined by a multistep process that begins by calculating its *total allotment* or the sum of its basic and proportional allotments.<sup>15</sup>

- Each state's basic allotment is \$250,000.
- Each outlying area's basic allotment is \$100,000.
- Each state and outlying area's proportional allotment equals the *total appropriation for Adult Education and Literacy* minus the sum of *set-asides* minus the *sum of basic allotments for all states and outlying areas*, multiplied by

$$\frac{\text{The number of qualifying adults in the state or outlying area}}{\text{The total number of qualifying adults in all states and outlying areas}}^{16}$$

Once each state's and outlying area's total allotments have been computed, they all must be compared with the legal minimum or hold-harmless amount for Adult Education and Family Literacy funding.

## B. Calculating Hold-Harmless Amounts

According to the Adult Education and Family Literacy Act, starting in FY99, no state or outlying area can receive an allocation that is less than its "hold-harmless" amount, which is 90 percent of what it received in the preceding fiscal year.<sup>17</sup> If any state's or outlying area's total allotment is below its hold-harmless amount, its allocation is "floored," i.e., set at its hold-harmless amount, and the entire schedule of total allotments must be adjusted to reestablish a proportional distribution of the remaining basic grant funds.

All states and outlying areas unaffected by the hold-harmless provision share the basic grant funding that remains after both (a) set-aside funds and (b) hold-harmless states' and outlying areas' allocations have been deducted from the original appropriation amount. The share of the remaining basic grant funding that each of these states and outlying areas is entitled to receive equals the ratio of their total allotment to the sum of total allotments for all states and outlying areas unaffected by the hold-harmless provision.

After recalculating the total allotments of states and outlying areas initially unaffected by the hold-harmless provision, it is necessary to determine whether any of these states' and outlying areas' (recalculated) total allotments needs to be floored (i.e., set at the hold-harmless amount). If any must be floored, then another recalculation of allotments for the states and outlying areas unaffected by the hold-harmless provision is necessary. When no state's and outlying area's allotment needs to be floored, the allocation process is complete. The allocation for states and outlying areas unaffected by the hold-harmless provision equals their final recalculated total allotment.

The steps to accommodate the hold-harmless provision (while maintaining the same proportional distribution established among state and outlying areas by the initial schedule of total allotments) is called a *ratable reduction*.<sup>18</sup> This series of steps can be expressed by the following algorithm:

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<sup>15</sup> Sec. 211(c)

<sup>16</sup> See footnote 7 for the definition of "qualifying adults."

<sup>17</sup> Sec. 211(f)

<sup>18</sup> Sec. 211(f)(2)

- (1) If a state's or outlying area's allotment is floored, then its allocation equals its hold-harmless amount.
- (2) If a state or outlying area is unaffected by a floor, then its allotment equals A, where

$$\frac{\text{initial total allotment}}{\sum \text{initial total allotment for all states and outlying areas unaffected by hold-harmless provision}} = \frac{A}{(\text{appropriations}^{19} - \sum \text{total allotment for all floored states and outlying areas})}$$

- (3) If A for any state or outlying area needs to be floored, repeat (1) and (2).
- (4) For all states and outlying areas without set allocations, their allocation is equal to A.

### C. Set-asides

There is no formula for calculating the distribution of set-asides. The Department of Education's Budget Office reserves and allocates these funds according to the stipulations of the Adult Education and Family Literacy Act.<sup>20</sup>

## V. Allocation Process

Once Congress has appropriated funds for adult education and family literacy for the current fiscal year, the Department of Education's Budget Office determines the amount reserved for set-asides (refer to Part II.B. on p.2 of this document) and the amount to be distributed as basic grants. The National Center for Education Statistics (NCES) in the Institute of Education Sciences (IES) then determines the specific amounts to be allocated among the states and outlying areas for each grant.

NCES uses a spreadsheet to calculate basic grant allocations to the states and outlying areas.

### A. Assembling Data Sets for Adult Education and Family Literacy

NCES receives the data needed to calculate adult education and family literacy allocations from various government agencies.

#### STATE-LEVEL DATA<sup>21</sup>

Data Element	Data Source	Date Available From Source
Number of qualified adults in population	Population Division Bureau of the Census Department of Commerce Rudolf DePass (202) 523-0955	Decennially, when Special Tabulations from U.S. Census are prepared.
Preceding year's allocations	Budget Office Department of Education Christine Miller (202) 401-0317	Anytime

<sup>19</sup> "Appropriations" here means Adult Education and Literacy funding after set-asides have been deducted.

<sup>20</sup> Sec. 211(a)

<sup>21</sup> Includes data for outlying areas.

## B. Data Processing for Basic Grants

1. Enter the state-level data into a spreadsheet for each state and outlying area and calculate the total number of qualifying adults in all states and outlying areas.
2. Enter the current fiscal year's appropriation into the spreadsheet, calculate set-aside amounts, and subtract this amount from the appropriation to determine *the current fiscal year's total allocation*.
3. Assign to each state and outlying area the basic allotment and sum the total of all basic allotments.
4. Deduct the sum of all basic allotments from the current fiscal year's total allocation to determine *the allocation remaining after deducting initial allotments*.
5. Calculate each state's and outlying area's proportional allotment by multiplying *the allocation remaining after deducting initial allotments* by the ratio of the number of qualifying adults in that state or outlying area to the total number of qualifying adults in all states and outlying areas.
6. For each state and outlying area, sum its basic and proportional allotment to compute its total allotment.
7. Check that the sum of total allotments for all states and outlying areas equals the current fiscal year's total allocation. If it does not, check and correct formula errors in the spreadsheets.
8. Calculate 90 percent of the preceding fiscal year's allocation for each state and outlying area.
9. Create a column in the spreadsheet that assigns a value of \$0 to states and outlying areas whose total allotment is greater than 90 percent of their preceding fiscal year allocation and assigns the value calculated in step 8 to the remaining "hold-harmless states and outlying areas" (i.e., those whose total allotment is equal to or less than 90 percent of their 1998 allocation).
10. Set the allocation for each hold-harmless state and outlying area at the value above \$0 assigned in step 9.
11. Sum the allocations for hold-harmless states and outlying areas set in step 10.
12. Subtract the sum calculated in step 11 from *the allocation remaining after deducting initial allotments*. (The remainder is the amount available to distribute among states and outlying areas unaffected by the hold-harmless provision.)
13. Reset the total allotment for each of the states and outlying areas assigned a value of \$0 in step 9; reset its total allotment equal to the remainder from step 12 multiplied by the following ratio: its original total allotment divided by the sum of total allotments for all states and outlying areas unaffected by the hold-harmless provision.
14. Using these new total allotments, repeat steps 9 through 13 as many times as necessary until the schedule of total allotments produced by two successive runs (i.e., two repetitions of steps 9 through 13) are identical. When they are identical, set the allocations for all states and outlying areas unaffected by the hold-harmless provision at their final total allotment.
15. Round the allocation amount for all states and outlying areas to the nearest whole dollar.
16. If the sum of the rounded allocation amounts equals the current fiscal year's total allocation amount, then the allocation process is complete: each state's and outlying area's final allocation equals its initial allocation amount rounded to the nearest whole dollar. If the sum of the rounded allocation amounts does *not* equal the current fiscal year's total allocation amount, then adjust them so they do by following steps 17 through 21.
17. Create a work table with the current fiscal year's total allocation amount (or the desired total) and the sum of the rounded allocation amounts for all states and outlying areas. Calculate the difference between these two figures. The difference is referred to as the Input Correction on NCES spreadsheets.

18. Sum the Input Correction and the desired total, then divide this sum by the desired total to calculate a *correction factor*.
19. Multiply each state's and outlying area's initial allocation amount (at step 14) by this correction factor.
20. Round each state's and outlying area's adjusted allocation amount to the nearest whole dollar.
21. If the sum of the rounded allocation amounts for all states equals the current fiscal year's total allocation amount, then the allocation process is complete: each state's and outlying area's final allocation equals its initial allocation amount, multiplied by the correction factor, and rounded to the nearest whole dollar. If the sum of the rounded allocation amounts for all states and outlying areas still does not equal the current fiscal year's total allocation amount, then manually revise the Input Correction figure up or down and repeat steps 17 through 21 until the rounded allocation amounts for all states and outlying areas equals the current fiscal year's total allocation amount. (Note that if the sum of the rounded allocation amounts for all states and outlying areas is above the current fiscal year's total allocation amount, revise the Input Correction figure down. If it is below, revise the Input Correction figure up.)

### **C. Report results**

Prepare a spreadsheet that lists all final allocation amounts for each state and outlying area. Forward results of the allocation process via email to the Department of Education's Budget Office (contact person: Chelsea Hart (202) 401-0317).